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C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 000339

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [ELAB](#) [ENGR](#) [PGOV](#) [VE](#)

SUBJECT: VENEZUELA: LABOR UNREST ACROSS ECONOMIC SECTORS

REF: A. CARACAS 287

[B](#). CARACAS 283

[C](#). CARACAS 213

[D](#). CARACAS 157

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Classified By: Economic Counselor Darnall Steuart for reasons
1.4 (b) and (d).

[1](#)1. (C) Summary. Labor unrest is growing in Venezuela, particularly since the January 21 expiration of the collective bargaining agreement for oil workers. Oil workers, whose benefits have lost ground to other unions, are openly expressing their dissent. The Government of the Bolivarian Republic of Venezuela (GBRV) has, however, begun to take a hard-line against unionized employees in the public sector. Faced with a potential transportation strike, President Chavez threatened the workers with dismissal and militarization of the Caracas metro. The expected slowdown of government spending in 2009 is expected to cause an increase in labor unrest as workers increasingly step up collective bargaining demands and labor protests and possibly unite against the GBRV in their efforts to solve their mounting economic problems. End Summary.

Petroleum Sector

[1](#)2. (SBU) Employees of state oil company PDVSA, working without a collective bargaining agreement since the January 21 expiration of the previous agreement, have begun to stage protests to push for a new agreement and fend off feared layoffs in the sector due to OPEC production cuts. Oil services company employees seeking payment of back wages and other worker liabilities are protesting sporadically. Other petroleum sector employees have staged protests to express their anger over the dismissal of contract employees and to call for PDVSA to hire the dismissed workers.

[1](#)3. (C) Confederation of Venezuelan Workers (CTV) Executive Committee Member Froilan Barrios (strictly protect throughout) told Emboffs March 11 that he perceives three areas of potential labor conflict in the petroleum sector. Barrios said contract workers are increasingly unhappy with the wages and benefits that they are receiving. Barrios noted that over the last several years, oil workers, once the best compensated workers in Venezuela, have lost ground to workers in the electrical, construction, and manufacturing sectors. In addition, he noted that a growing number of unemployed oil workers are openly expressing their discontent. Barrios noted that previously PDVSA and petroleum unions shared responsibility for hiring, but PDVSA

secured exclusive control over hiring in the last collective bargaining agreement.

14. (C) Barrios also said PDVSA employees are upset that PDVSA has not started negotiating a new collective bargaining agreement. PDVSA is reportedly insisting that the petroleum unions need to hold new elections and unite before PDVSA can start contract negotiations. The trade union movement in the petroleum sector is splintered, however, with some ten, mostly pro-government unions vying for control. Labor analyst Rolando Diaz told EmbOffs recently that petroleum union leaders are seeking substantial increases in wages consistent with the significant raises the GBRV paid to steel workers after nationalizing the Sidor plant in 2008. PDVSA, however, is not in a position to finance a big salary increase and is instead offering workers a 2009 bonus. On March 5, Chavez publicly blasted the petroleum workers for the benefits they currently enjoy. On March 12, GBRV Vice President Ramon Carrizalez rejected, according to the local press, all possibilities of collective bargaining for a new agreement. On the same day, petroleum unions met to discuss areas of mutual interest, a move that may signal greater coordination among the fractured unions.

15. (C) Barrios does not expect a major strike in the petroleum sector in the near-term. He said PDVSA workers fear that the GBRV will dismiss and replace striking workers, just as it did during the 2002-2003 general strike. Nevertheless, he said contract and laid off workers have less to lose and would likely engage in more frequent job actions and demonstrations to try to gain more leverage. Barrios said the opposition-oriented CTV is engaging pro-Chavez union leaders in an effort to enhance trade union strength in Venezuela. He suggested that union workers are increasingly skeptical about Chavez's state interventions in the economy

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and may be more disposed to work together during the economic downturn.

Heavy and Light Industries

16. (SBU) Ongoing labor conflicts in the heavy and light industry sectors relate to workers' demands for payment of wages and anger over loss of jobs. In the automotive sector, Mitsubishi and Toyota have recently been hit by plant sit-ins and strikes, effectively paralyzing their operations in Venezuela (Ref D)

17. (C) In early March, sugar workers shut down the CAEEZ sugar processing complex in Sabaneta to press for wage payments. EmbOffs spoke with Marysol Ramos (please protect throughout), Executive Director of the Venezuelan Chamber of Sugar Producers (VENEAZUCAR) who confirmed the ongoing labor strike at CAEEZ. Still under construction, Ramos explained, CAEEZ does not currently process sugar. However, the BRV's Ministry of Agriculture promised the local sugar cane producers that the unrefined sugar cane would be delivered to nearby mills by CAEEZ for processing until such time that CAEEZ becomes operational. As CAEEZ has not paid the drivers, the drivers have refused to transport the unrefined cane. If the unrefined sugar cane does not reach the processing mill within twenty-four hours of harvest, it degrades. The GBRV will not pay the direct subsidy to the sugar cane producers for degraded sugar cane. This chain of events has caused the latest labor unrest at CAEEZ.

18. (C) Business representatives from Carabobo state, Venezuela's industrial heartland, assert that labor issues are the biggest problems facing manufacturers in Venezuela today. Manufacturing plants may be capable of operating at full capacity, only to see production hampered by labor actions, such as sick-outs, work slow-downs or "on-the-job absenteeism." Workers engaging in these practices are taking

advantage of a GBRV prohibition of firing of minimum wage workers. Industry also faces higher transactions costs due to labor conditions. Companies must allocate fifteen percent to overhead in order to account for costs associated with dealing with the government and labor unions.

Public Sector

¶9. (SBU) The labor problems in the public sector mirror those in the rest of the economy -- that is the workers are demanding payment of back wages, protesting against possible layoffs and seeking to augment their salaries through new collective bargaining agreements. In the past six months, many unionized public workers have staged labor actions. Teachers unions, according to local press reports, are demanding a salary increase up to five times the minimum wage per month (to 1850 USD dollars at the official exchange rate.) Doctors and dentists working in the most prominent social mission, Barrio Adentro, have struck for payment of back wages and other public health care workers are demanding the GBRV pay them the thirty percent salary increase promised by Chavez in 2008 as well as an unpaid bonus. Workers in Mercal, the government subsidized supermarket chain, have halted foodstuff distributions to protest the threatened replacement of employees with workers from local cooperatives. According to a local newspaper, Chavez canceled a scheduled March visit to the Enelven power plant in Zulia, as unhappy utility workers had planned to ask the President to call for collective bargaining agreement talks.

¶10. (SBU) The Caracas metro employees blocked traffic on a major Caracas thoroughfare during the week of March 9 and staged a protest outside the National Assembly building to press the GBRV to negotiate a new collective bargaining agreement. The employees, without an agreement for five years, had requested a thirty-five percent salary increase. The GBRV, according to the local media, agreed to a contract, only to later backtrack due to a lack of funds. President Chavez reacted to a threatened strike stating "One who stops a public company is messing with me, this is sabotage and I am not going to tolerate it." Chavez also threatened to militarize the Caracas metro in the event of a workers strike. On March 12, a metro union leader told local media the union was willing to renegotiate the conditions of the contract. If a contract is signed, it will be only the second agreement between the workers and the GBRV in 10

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years.

Comment

¶11. (C) The GBRV failed to successfully address labor issues in 2008 and indeed sparked further labor unrest through its tacit approval of the activities of radical parallel unions, which targeted the private sector. The slowdown of public spending in 2009 is already causing greater labor tension in both the public and private sector. Moreover, President Chavez has often sidestepped collective bargaining by announcing generous wage increases for government employees and hikes in the minimum wage. Confronted by much lower petroleum prices and governmental revenue streams, Chavez does not appear to be in a good position to announce such raises on May 1, per his custom. Due to the lack of resources, the calls for collective bargaining agreements by workers have been met by unusually harsh words from the GBRV, which may signal the growing risk of a major confrontation between the government and workers.

CAULFIELD